



**Consumers for
AFFORDABLE
Health Care
COALITION**

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*Advocating the right to health care
for every man, woman and child.*

By U.S Mail and Electronically

March 24, 2006

IN RE: REVIEW OF AGGREGATE MEASURABLE COST SAVINGS DETERMINED BY
DIRIGO HEALTH FOR THE SECONDASSESSMENT YEAR (2007)

Dear Dr. McAfee and Ms. Therberge:

Please find enclosed for filing in the above captioned matter, the following documents from Consumers for Affordable Health Care. Please contact me with any questions.

1. Filing Cover Sheet
2. CAHC Proposed Methodology for the Second Assessment Year (2007)

Thank you for your attention in this matter.

Respectfully submitted,

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**STATE OF MAINE
DIRIGO HEALTH AGENCY**

IN RE:)
REVIEW OF AGGREGATE)
MEASURABLE COST SAVINGS)
DETERMINED BY DIRIGO HEALTH)
FOR THE SECONDASSESSMENT YEAR)
(2007))

FILING COVER SHEET

Date filed: March 24, 2006

Name of party: Consumers for Affordable Health Care

Document title: CAHC Proposed Methodology for the Second Assessment Year (2007)

Document type: CAHC Proposed Methodology for the Second Assessment Year (2007)

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STATE OF MAINE
DIRIGO HEALTH AGENCY

IN RE:)	
REVIEW OF AGGREGATE)	Consumers for Affordable Health Care
MEASURABLE COST SAVINGS)	
DETERMINED BY DIRIGO HEALTH)	Proposed Methodology
FOR THE SECOND ASSESSMENT YEAR)		
(2007))	

Now come Consumers for Affordable Health Care by and through its counsel with the following proposed methodology for calculating the aggregate measurable cost savings for the second assessment year.

In addition to the methodologies proposed by the Dirigo Health Agency for calculating each of the cost savings initiatives in its filing to date and in addition to the methodology provided by CAHC's expert witness De. Kenneth Thorpe for calculating uncompensated care savings, CAHC proposes that the Board consider the following cost savings initiatives included in the Act.

In 2003, the Maine Legislature enacted "An Act to Provide Affordable Health Insurance to Small Businesses and Individuals and to Control Health Care Costs," better known as the "Dirigo Health Reform Act." On June 18, 2003, that Act was signed into law as Public Law 2003, c. 469. Among its numerous cost containment, quality improvement, and access expansion provisions, the Dirigo Health Reform Act included a section referred to as the "Savings Offset Payment." 24-A M.R.S.A. §6913 That section of the Act included a provision that requires the Dirigo Health board of directors to "determine annually not later than April the aggregate measurable cost savings, including any reduction or avoidance of bad debt and charity care costs to health care providers as a result of the operation of Dirigo Health and any increased

enrollment due to an expansion in MaineCare eligibility occurring after June 30, 2004.” 24-A

M.R.S.A. §6913(1) (Italics added)

The Act envisions an evolving cost savings environment. For example, the Act created several different task forces, commissions, and other entities to improve the quality of care and affordability of coverage in Maine. While the methodologies applied in the first assessment year are credible and quantifiable, they are a subset of the cost saving mechanisms and access expansion provisions included in the Act. In reviewing the Act, there are numerous cost savings that should be considered by the Board:

- Dirigo Health’s insurance product, DirigoChoice, makes a comprehensive product (24-A M.R.S.A. §6910(3)(A)) available to those who have been forced out of coverage (uninsured) and those who have been forced into high-deductible coverage (underinsured) thereby reducing uncompensated care costs to providers for those items and services that would have been unpaid;
- Unlike many, if not most, of the insurance products being consumed in the non-group and small group markets, DirigoChoice provides prescription drug coverage; to the extent that DirigoChoice covers prescription drugs, it reduces the need for costly hospitalizations, some high technology procedures, and inpatient and outpatient visits, thereby producing measurable cost savings to the entire health care system. See 24-A M.R.S.A. §6910(3)(A);
- Medicare and veteran’s health care [“The Governor shall engage in active negotiations with the Federal Government to increase access to federally sponsored health services for veterans in this State and to increase the rates of Medicare reimbursement for the State’s health care providers.” P.L. 2003, c. 469, §G-1]. Increases in Medicare reimbursement rates or increases in health services paid for by the federal government would reduce uncompensated care costs to providers and reduce cost-shifting onto other payers;

- Savings that may result from the operation of the Maine Quality Forum and adoption of quality and safety standards should reduce costs of care and unnecessary services, as well as costly medical errors. See 24-A M.R.S.A. §6951;
- Savings that may result from the adoption and implementation of State Health Plan and a State Health Planning process that allocates limited resources based on community needs and available funds should increase efficiencies in the health system and reduce duplicative spending, especially spending on costly duplicative services and technologies. See 2 M.R.S.A., Chapter 5, § 101;
- Savings that may result to consumers through the operation of market forces by informing consumers of prices for services and procedures by institution and making them better purchasers of care will reduce overall health spending. 22 M.R.S.A. §1718 and 24 M.R.S.A. §2987;
- Efficiencies gained through standardized claim forms submitted electronically will further reduce costs to consumers and employers. See P.L. 2003, c. 469, Part D; and,
- Delivery of a higher return on premiums collected from ratepayers in the form of increased expenditures by insurance carriers on direct medical services. See P.L. 2003, c. 469, Part E

Each of these components of the Dirigo Health program will produce measurable cost savings and/or reductions in the rate of growth in Maine's health spending. The duty of the board of directors of Dirigo Health is to ensure that the cost savings are "measurable."

Dated: March 24, 2006

Respectfully submitted,



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Certificate of Service

I, Joseph P. Ditré, Esq., certify that the foregoing **CAHC Proposed Methodology** was served this day upon the following parties via U.S. Mail and electronically.

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Dated: March 24, 2006

A handwritten signature in black ink, reading "Joseph P. Ditré". The signature is written in a cursive style with a horizontal line underneath it.

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